DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY

CHAPS REVIEW

2007/2008
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1. EXECUTIVE SUMMARY

1.1 Introduction

On 9 September 2007, the Minister for Agriculture, Fisheries and Forestry, the Honourable Peter McGauran, announced assistance measures for those horse dependent businesses, employees and employers affected by the equine influenza outbreak in Australia.

Commercial Horse Assistance Payments (CHAPs) was provided to primary carers of commercial horses who would otherwise be active and potentially earning an income if not for the equine influenza outbreak and resulting standstill. A per-horse, per-day payment was provided to eligible applicants for the welfare and ongoing training of horses to ensure they remained fit and healthy and could return to normal activity as soon as the standstill was lifted.

Acumen Alliance was engaged by the Department of Agriculture, Fisheries and Forestry to undertake an independent third-party financial and performance audit of each Commercial Horse Assistance Payments (CHAPs) delivery organisation. This report has been compiled to make recommendations for future process or project management improvement and provide an assessment of the project delivery by the following delivery organisations:

- Equestrian Queensland;
- Queensland Harness Racing;
- Racing Queensland;
- Racing NSW;
- Harness Racing NSW; and
- Equestrian Federation of Australia – NSW.

1.2 Audit Scope

In conducting the third party audit, Acumen Alliance:

- reviewed the delivery organisations’ books, records (including project reports and invoices) and financial statements, including those relating to the receipt, holding, expenditure and commitment of the funding;
- reviewed whether the funding was spent in accordance with the Terms of the Funding Deed with the Department of Agriculture Fisheries and Forestry; and
- examined the efficiency and effectiveness of delivery organisations’ activities in administering CHAPs.
The review did not assess the management of the program by the Department.

1.3 Conclusion

The Commercial Horse Assistance Payment scheme was a program that was successfully administered by contracted organisations. The program provided assistance to those commercial horses that were unable to earn an income due to the shutdown caused by equine influenza. The program was implemented relatively quickly. This caused some inconsistencies with how various applicants were assessed for eligibility. However, while these inconsistencies did occur, the large majority of the CHAPs program met the original objectives. Improvements to future programs could be gained through:

- Better communication between delivery organisations to ensure a consistent approach
- Funding being provided to delivery organisations to administer the program
- More detailed guidance being provided regarding eligibility criteria
- Consistency between delivery organisation processes for applying guidelines
- Better communication between the Department and the Minister’s office.
2. BACKGROUND

The Commercial Horse Assistance Payment scheme (CHAPs) was a Commonwealth program developed to assist the horse industry during the shutdown caused by the breakout of Equine Influenza. CHAPs was based on a per-horse per day payment made for eligible horses. Payments varied based on the category of the horse. These were:

- NSW Metropolitan Thoroughbreds $60
- NSW Provincial Thoroughbreds $55
- NSW Country Thoroughbreds $50
- NSW Metropolitan Harness $20
- NSW Provincial/Country Harness $20
- Queensland Metropolitan (Bris, GC) Thoroughbreds $55
- Queensland Country Thoroughbreds $50
- Queensland Harness $20
- ACT Thoroughbreds $55
- ACT Harness $20
- Non-racing horses $20

A component of these payments could be used for other horse-related industries affected by equine influenza to ensure that industry skills could be maintained during the shutdown.

There were three CHAPs funding rounds.

- The first funding round was for the period 25 August 2007 (the first day of the shutdown) through to 19 November 2007. This applied to all eligible horses in NSW, ACT and Queensland.
- CHAPs II applied for the period 20 November 2007 through to 8 February 2008.
- CHAPs III applied to specific zones within NSW and Queensland and was for the period 9 February to 13 March 2008.

The Commonwealth engaged six delivery organisations to administer CHAPs on its behalf:

- Equestrian Queensland
- Queensland Harness Racing
- Racing Queensland
- Racing NSW
- Harness Racing NSW
- Equestrian Federation of Australia – NSW

As part of this review, 5 delivery organisations were assessed. Individual reports have been prepared for these organisations.

In total, approximately $180 million was paid in CHAPs funding.
3. Audit Findings and Recommendations

3.1 Resourcing

Finding

- Agreements did not provide resources (dollars and/or staff) to delivery organisations for administration of the program
- There is a continuing recordkeeping requirement for organisations to continue to comply with Commonwealth requirements

Discussion

The Commonwealth required the assistance of six organisations with administering the Commercial Horse Assistance Payment Scheme. At the time of implementing the program, it was not fully understood how large the program would become. It was originally considered by all parties that the outbreak and subsequent shutdown would only be for a short period and that there would not be a significant amount of claims. This was not the case, with two extensions to the program and significant applicants for CHAPs payments. This resulted in a significant load on the delivery organisations.

The six organisations have all spent their own funds on administering the program on behalf of the Commonwealth. The amount or resources allocated by each organisation has varied, with estimated costs ranging from $100,000 to $1 million. Some organisations have been able to obtain alternative funding through other Commonwealth grants. However, this has not been able to be accessed by all organisations. Whether the omission of funding to organisations was accidental or intentional, it is Acumen’s opinion that it is unreasonable for the Commonwealth to contract organisations to administer a program for the Commonwealth without some form of compensation to those organisations. In the case of CHAPs, it was originally considered that the impact on those organisations would be small. As CHAPs progressed and the size of the program became clearer, the Department should have considered providing compensation to these agencies. It is recommended this be done in future for any other funding programs.

Additional to this, there is an ongoing cost to the organisations as they are now required to store the applications and any other records related to the Commonwealth program. The number of applications received was substantial and the space required to store the records is significant. The Department has advised that they are currently reviewing options for storing those records.
Recommendation 1

For future programs undertaken by the Department, where the expected size of a program is not fully understood, consideration be given to:

- having a timeframe included for when the government would take over management of the process
- have a threshold, at which point funding will be provided to agencies.

Recommendation 2

DAFF consider options available to assist organisations with storing the records related to the CHAPs program.
3.2 Inconsistencies in Processes between Organisations

Summary

- The program was implemented quickly resulting in a process that evolved with time.
- Funding Agreements were not consistent between organisations.
- There was little communication between delivery organisations.
- Inconsistencies were identified in the allocation of funds between the owner and trainer and the application of prize money to CHAPs payments.
- There were inconsistencies in the application process.
- Definitions in guidelines were ambiguous and not always applied as intended.
- There was a heavy reliance on Statutory Declaration to prove horses were in work.

Discussion

The equine influenza outbreak was a sudden, unexpected temporary shutdown of the horse industry. The Commonwealth Government implemented a funding program to assist the industry through the time when horses were unable to be moved. Due to the suddenness of the Equine Influenza shutdown and assistance package, the program was rolled out relatively quickly. The program was launched with minimum policies and guidelines and these evolved with the program. As a result, a number of shortcomings with the program were noted. These included:

- Variations between how different organisations managed the application process;
- Variable application of the guidelines;
- Inconsistencies of allocation of funds between owners & trainers; and
- Differences in the way prize money was allocated.

Application Process

There were a range of inconsistencies between organisations with the application process. The lack of definitions in the guidelines led to subjectivity on items such as “commercial horses” and “in work”. The effect of this was that some organisations scrutinised applicants greater than others. It was possible that an applicant that would have been rejected from one organisation would have been approved by another organisation. The level of investigation conducted to ensure a horse was a commercial proposition varied greatly. Some organisations heavily scrutinised applications and asked questions of applicants while others placed reliance on the signed statutory declarations as sufficient evidence to support the application. Additionally, there was inconsistency in the application of the liquid assets test. The majority of organisations would rule the horse out if the declaration was not
signed, whereas one organisation would ruled the owner out of the payment but paid a set amount to the trainer.

DAFF advised that each organisation was given a degree of autonomy in undertaking decisions regarding the program. This however created a situation where an applicant’s success in being deemed eligible for CHAPs may have been affected by which industry and/or state they resided in.

**Prize money**

The application of prize money varied between organisations. The system to be applied was documented in each parties funding deed. The scenarios in the funding deeds varied greatly and opened up the possibility of favourable treatment to members of certain organisations.

**Payments**

There were inconsistencies in the allocation of funds for the owner/trainer split between different organisations. This was left to each organisation to determine. Some organisations did not provide guidance on the split and left it up to the primary carers to decide on the allocation. Other organisations recommended the amount however relied on the primary carers to pass on a component of the payment. While other organisations reported to the primary carer the exact split for the trainer and for the owner.

**Funding to delivery organisations**

The methods for obtaining funding varied between the organisations. Some organisations were paid an amount in advance and then were providing actual or estimated payments for future periods. Other organisations were invoicing on actual payments that had been paid.

There were no initial or regular meetings between the delivery organisations through the CHAPs period. These would have helped ensure consistency in the approval process, as organisations could have discussed and come to agreements on the best way of treating items.

**Recommendation 3**

If such a program was to occur again, an initial meeting with all organisations to discuss the application of guidelines should occur.

**Recommendation 4**

For future funding programs, more guidance should be provided by DAFF on the application of the funding program.
3.3 Ministerial Agreements

Finding

One organisation obtained Ministerial approval to undertake activities outside the Guidelines.

Discussion

One organisation undertook a range of activities which were not consistent with the documented guidelines or consistent with the practices of other agencies. Such activities included:

- Providing funding to trainers where the owner(s) are ineligible due to the $300,000 liquid assets threshold
- Providing funding to horses that were not with registered trainers and were in pre-training, that is were not “in work”

These arrangements were agreed between the organisation and the Minister. The Department was unaware that these arrangements had been agreed to until this review was undertaken. The result is that one organisation was providing funds to applicants who would have been deemed ineligible if they had applied to a different organisation. This is not a consistent approach to all potential CHAPs recipients and could have created complaints of unfair processes. Administration of an assistance payment should not rely on the negotiation skills of the delivery organisation to get a “best deal” for those members it is responsible for. The policies should be set and if variations are made for one organisation these should be applied across the board.

Recommendation 5

DAFF should, where possible, ensure that clear and open communication be maintained between DAFF and the relevant Minister’s office when undertaking programs that are large and sensitive to ensure that all parties are kept aware of any potential issues.
3.4 Unsuccessful Applications

Finding
The availability of an appeals process was not always notified to unsuccessful applicants

Discussion
Whilst all agencies had an appeals process in place as per the funding deed, there was no requirement to let the applicants know the method for obtaining an appeal. The Deed simply states that they must notify the unsuccessful applicant that they were unsuccessful. Most delivery agencies notified the applicant of why they were unsuccessful and the appropriate contact to lodge an appeal, however one organisation saw this as an administrative burden as given the opportunity people are likely to appeal and as such did not report this on the rejection letter. Another organisation did not notify unsuccessful applicants that they were not successful. Due to this their proportion of appeals was lower compared to other agencies.